



Excise Tax Advisory

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SALES TAX LIABILITY ON DUAL PURPOSE CHEMICALS IN THE PRODUCTION PROCESS

Issued July 1, 1966

Where a chemical is used both in manufacturing the finished product and disposing of the industrial waste, is the cost of the chemical exempt from the Retail Sales Tax as a chemical used in the production of articles for sale?

Taxpayer, a manufacturer of aluminum products, purchased caustic soda to serve a dual purpose in the industrial process. First the chemical is used in an etching process to impart a satin finish on the aluminum product. After the chemical is "spent" to one-fifth its original strength, it is used to neutralize other waste products for discharge into the city sewer system.

RCW 82.04.050 excludes from "sale at retail" chemicals used in the manufacturing process "when the primary purpose of such chemical is to create a chemical reaction directly through contact with an ingredient of a new article being produced for sale." Rule 113 provides that where an article serves a dual purpose, Sales Tax liability shall be determined "by the primary purpose for which the article is purchased."

The Commission held that the use of caustic soda in the etching process fell within the exemption of RCW 82.04.050 and was the "primary purpose" for which the chemical was purchased. The subsequent use of the chemical in a non-exempt capacity (neutralizer) was unimportant once the primary purpose was found to be within the exemption.

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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